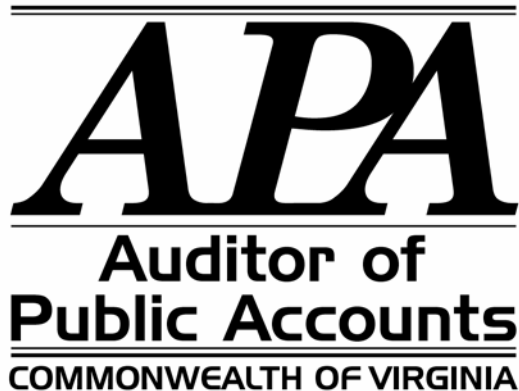


STATE LOTTERY DEPARTMENT

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2005 THROUGH FEBRUARY 25, 2006**





Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 7, 2006

Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditor's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of Georgia and Kentucky (referred to as the "Member Lotteries"), which operate Lotto South, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Lotto South: Virginia Lottery's sales and prize expense for the period April 1, 2005 through February 25, 2006 and the Virginia Lottery's receivable or payable as of February 25, 2006. Virginia Lottery is responsible for its records of the financial information associated with Lotto South. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Virginia Lottery and Member Lotteries. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

- A. We obtained from the Virginia Lottery the "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2005 through February 25, 2006 and attached those as Exhibits I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected the following five Lotto South draw dates from the period April 1, 2005 through February 25, 2006:

April 20, 2005
June 1, 2005
September 24, 2005

December 24, 2005
February 18, 2006

- C. For each Lotto South draw date selected in step “B” above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery’s gaming system and the total amount of sales shown on the related daily sales report produced by the Internal Control System with the balance listed in the “sales” column for the respective draw date on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.
- D. We calculated the total dollar amount of the actual and shares prizes for the draw dates selected in step “B” above, based on the total number of winners from the Virginia Lottery’s gaming system for each prize level and the prize structure of the Lotto South’s shared prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective draw date on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.
- E. For each draw date selected in step “B” above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Draw Activity” report attached as Exhibit I to the amounts shown on the applicable Lotto South Settlement Reports and found them to be in agreement.
- F. We compared the amounts shown as the total of the actual fixed prizes and the total of the shared fixed prizes on the “Draw Activity” report attached as Exhibit I to the applicable amounts shown on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.
- G. We compared the total of the quarterly transfers to/from the Virginia Lottery for settlement of the shared prize liability as shown in the Virginia Lottery’s cash disbursement subsidiary records to the amount listed in the “Qtrly/Yrly Settlements Transfers In/(Out)” column on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.
- H. We compared the balance listed as the Virginia Lottery’s payable/receivable as of February 25, 2006 for the fixed prizes as shown on the “Fixed Prize Analysis” report attached as Exhibit II to the Virginia Lottery’s financial accounting records and to the Lotto South Prize Settlement Report as of February 25, 2006 and found them to be in agreement.
- I. We selected draw dates whereby the Virginia Lottery had a Lotto South Jackpot Prize Winner as referenced on the “Draw Activity” report attached as Exhibit I and reviewed the appropriate files and/or documentation to verify the following:
 - 1) If the winner selected the annuity option, the Virginia Lottery purchased annuities in accordance with Lotto South Operational Procedures, Section 4, Type of Investments.
 - 2) Regardless of annuity or cash option, the Jackpot Prize was validated in accordance with Lotto South Operational Procedures, Section 13, Ticket Validation.

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Lotto South.

Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Virginia Lottery and Member Lotteries as specified above and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

LCW/kva

LOTTO SOUTH
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY
For the period ending February 25, 2006

EXHIBIT I

Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by Va)
04/02/05	\$ 786,931	\$ 120,132	\$ 130,698	\$ -
04/06/05	685,139	108,078	115,184	-
04/09/05	812,729	139,190	134,614	-
04/13/05	732,037	138,186	129,705	-
04/16/05	870,913	153,877	152,517	-
04/20/05	786,700	126,593	133,519	-
04/23/05	701,006	123,079	122,334	-
04/27/05	540,792	89,780	95,930	-
04/30/05	652,194	105,563	108,876	-
05/04/05	569,014	105,422	99,941	4,600,000
05/07/05	611,786	105,493	101,841	-
05/11/05	529,938	97,425	93,103	-
05/14/05	638,287	100,687	106,216	-
05/18/05	560,449	86,966	92,833	-
05/21/05	660,623	123,253	107,427	5,600,000
05/25/05	521,903	78,589	89,765	-
05/28/05	624,616	97,381	104,348	-
06/01/05	550,391	88,611	91,028	-
06/04/05	664,254	118,235	117,858	-
06/08/05	560,086	97,314	89,500	-
06/11/05	651,590	112,124	115,900	-
06/15/05	575,024	91,712	100,178	-
06/18/05	685,613	125,452	121,662	-
06/22/05	513,987	94,289	90,838	-
06/25/05	605,701	96,893	100,752	-
06/29/05	524,755	89,849	89,844	-
07/02/05	605,611	111,540	106,500	-
07/06/05	516,967	92,215	91,191	2,600,000
07/09/05	588,389	104,216	102,050	-
07/13/05	516,631	90,729	89,747	-
07/16/05	627,319	102,035	108,049	-
07/20/05	557,001	88,646	91,949	-
07/23/05	668,993	111,342	111,795	-
07/27/05	559,821	90,158	91,734	-
07/30/05	674,821	108,983	116,949	-
08/03/05	596,190	114,274	103,668	-
08/06/05	696,740	111,108	117,008	-
08/10/05	613,789	107,928	108,259	-
08/13/05	710,178	124,211	123,698	-
08/17/05	635,828	115,140	106,629	-
08/20/05	733,983	122,550	124,842	-
08/24/05	513,825	95,605	89,124	-
08/27/05	612,729	106,721	107,443	-
08/31/05	506,094	88,700	85,547	-
09/03/05	595,120	95,211	99,455	-
09/07/05	484,220	73,105	80,547	-
09/10/05	592,399	97,501	100,921	-
09/14/05	538,445	93,590	90,306	-

LOTTO SOUTH
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY
For the period ending February 25, 2006

EXHIBIT I

Date	Sales	Fixed Prizes	Fixed Prizes	Cost of Jackpot Prizes (Purchased by Va)
09/17/05	\$ 644,842	\$ 103,530	\$ 109,823	\$ -
09/21/05	488,405	85,998	77,945	-
09/24/05	574,795	95,913	101,219	-
09/28/05	490,985	84,382	84,132	-
10/01/05	590,962	102,127	98,546	-
10/05/05	516,137	84,606	88,172	-
10/08/05	604,911	95,261	103,342	-
10/12/05	531,921	84,557	92,646	-
10/15/05	644,739	108,857	114,095	-
10/19/05	606,832	102,020	101,575	-
10/22/05	681,117	111,700	114,581	-
10/26/05	581,978	94,293	102,514	-
10/29/05	691,183	114,705	112,630	-
11/02/05	624,244	101,853	106,673	-
11/05/05	765,176	133,280	126,863	-
11/09/05	702,251	119,450	113,841	-
11/12/05	823,476	146,839	138,790	-
11/16/05	780,587	126,090	135,283	-
11/19/05	799,895	140,788	136,845	-
11/23/05	744,172	121,058	128,742	-
11/26/05	748,633	124,028	123,103	-
11/30/05	715,766	141,084	128,024	-
12/03/05	835,444	145,956	146,649	-
12/07/05	739,080	132,314	123,799	-
12/10/05	821,231	143,981	139,018	-
12/14/05	765,754	123,289	128,231	-
12/17/05	828,192	156,937	145,244	-
12/21/05	783,626	132,348	134,792	-
12/24/05	925,565	148,040	151,975	-
12/28/05	780,935	135,122	138,245	-
12/31/05	961,666	159,816	155,520	-
01/04/06	537,381	92,056	89,843	-
01/07/06	603,035	95,913	106,338	-
01/11/06	516,538	87,993	88,176	-
01/14/06	611,508	106,596	106,360	-
01/18/06	525,541	84,502	93,027	-
01/21/06	582,547	116,608	104,125	-
01/25/06	496,704	85,212	83,652	-
01/28/06	597,065	107,732	103,747	-
02/01/06	520,795	97,654	90,655	-
02/04/06	619,565	115,254	106,650	4,000,000
02/08/06	490,128	87,730	86,443	-
02/11/06	578,421	91,869	97,416	-
02/15/06	527,202	94,650	87,003	-
02/18/06	710,925	126,633	116,501	-
02/22/06	558,709	97,010	95,593	-
02/25/06	906,984	316,646	318,434	-
Total	\$ 60,939,099	\$ 10,563,961	\$ 10,560,642	\$ 16,800,000

LOTTO SOUTH
 VIRGINIA LOTTERY DEPARTMENT
 FIXED PRIZE ANALYSIS
 For The Period Ending February 25, 2006

EXHIBIT II

	Balance as of April 1, 2005 Receivable/ (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	Balance as of February 25, 2006 Receivable/ (Payable)
Georgia	\$ 74,779	\$ 10,339,976	\$ 10,307,875	\$ 106,880	\$ -
Kentucky	5,439	2,781,161	2,816,581	(29,981)	-
Virginia	(80,218)	10,563,961	10,560,642	(76,899)	-
Total	\$ -	\$ 23,685,098	\$ 23,685,098	\$ -	\$ -